

DRAFT

TRIP REPORT

**PUBLIC/PRIVATE DEVELOPMENT
DEMONSTRATION PROGRAM
IN FOCSANI AND ORADEA,
ROMANIA, PHASE II**

November 11-18, 1995

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Prepared by
William Claggett, ICMA

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ABSTRACT

ICMA staff member William Claggett visited Oradea and Focsani, Romania, during November 11-18, 1995, under Phase II of the Public/Private Partnership Demonstration Program. ICMA is carrying out this program under the Local Government and Privatization Program funded by USAID. The purpose of the Phase II visit was to follow-up on developments recommended during Phase I and to initiate the Phase II technical assistance. Specifically, Mr. Claggett provided support for item (3) The RFQ/RFP Process and item (4) Bidders Conference, which are part of the Memoranda of Understanding addressed to the Mayors of Focsani and Oradea during the Phase I visit. Also, it was determined that the Focsani team is well prepared and enthusiastic about the project whereas Mayor Petru Filip of Oradea explained that such a project is not feasible at this time. Consequently, Mr. Claggett recommended that ICMA inquire at a latter time with the Oradea officials whether or not there has been a change in the attitude and willingness to proceed with the project. At the same time, the Focsani team had prepared a draft RFP which will be officially posted in late January 1996.

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Public/Private Partnership Demonstration Program in Oradea and Focsani, Romania,Phase II

1 BACKGROUND

1.1 Purpose

For Phase II of the public/private partnership (P/PP) program in Romania, the overall trip purpose was twofold: first, to review the project status in the cities of Focsani and Oradea, following the Phase I visits, which took place in August 7-11, 1995, during which we conducted the reconnaissance and process workshop elements of the program; and second, to advise the city representatives on the next steps toward full implementation of the program.

1.2 Main Activities

General review and advisory services were provided in the context of elements (3) and (4) of the P/PP process set forth in the August 18, 1995 Memoranda of Understanding addressed to the mayors of Focsani and Oradea. These elements are:

(3) The RFQ/RFP Process

Adaptation of standard qualification and proposal requests to the conditions and requirements of the host municipality; identify special considerations for review and inclusion in the RFQ/RFPs; preparation of the appropriate documents; define process for issuance and management of the process (advertising, formal notification, point of contact, response to questions and requests for additional information); and preparation of submission, review and contract award schedule.

(4) Bidders Conference

Design and plan of a conference for all perspective developers interested in bidding on the project; preparation of format and agenda; define municipal roles and identify participants; conduct conference; assess results (level of interest, unforeseen problems, site suitability relative to market conditions, clarity of material and understanding of municipal objectives); identify issues requiring municipal or other technical assistance follow-up.

Specifically, project review and advisory services were focussed on the following aspects of the above elements:

1. Organization

Designation of the lead responsibility within the municipal government;

Organization of a Demonstration Project Task Force.

2. Site Selection

Completion of site selection and preparation of relevant information.

3. The RFP Process

Agreement on steps of the RFP process;

Status of the RFP instrument, itself;

Procedures for issuance of the RFP (media placements, local v.s. national solicitation, filing fees, and the like).

4. The Bidders Conference

Identification of prospective qualified bidders (contractors, architects, developers);

Status of preliminary planning for a Bidders Conference.

5. Next Steps

In addition, information was sought on other issues pertaining to the process which the municipalities believed to be important to accomplishing project objectives. Chief among these were: project financing; market size and availability; timing of next steps relative to weather constraints and to the upcoming spring municipal elections; and level of control to be exercised by the municipal government relative to the role and responsibilities of a private developer, or contractor.

2 OVERVIEW OF FINDINGS

In general, The City of Focsani was very well organized and prepared for the technical assistance visit. Although staff had to “scramble” at the last minute to prepare for the visit, the concepts and issues had been thought through, a draft RFP prepared, and next steps considered. The municipality is well positioned to move ahead with a bidders conference.

The situation in the City of Oradea is nearly the opposite. It is unclear whether or not the municipality wishes to proceed with the project, or can and will devote the staff necessary to implement the various steps of the process. At this stage, the municipality is not prepared for a bidders conference anytime soon. Senior staff officials appear divided on the desirability of making the necessary staff commitment at this time.

3 PROJECT STATUS IN FOCSANI

As stated, the City of Focsani appears committed to moving ahead with the P/PP demonstration project. Indeed, elected and appointed officials were quite excited about the prospects of applying new development techniques to some of the nagging housing problems in Focsani. As a measure of commitment, in the absence of Mayor Latcan (attending a conference in Oradea), The deputy Mayor participated in all meetings and discussions about the project.

3.1 Organization

For the Focsani project, the Regia will play a major role. As the chairman of the Regia, the Mayor will assume full responsibility for the demonstration effort. Because of their building and housing disposition programs, the Regia will act very much in the capacity of an independent redevelopment agency, under the overall control of the Mayor and Council.

Victor Ciocildau, chief of building for the Regia, is the staff director of the project. In addition, the Mayor has designated a Project Task Force (membership attached) and a secretary to coordinate the various departments and functions that will be involved in the project.

3.2 Site Selection and Project Description

The municipality has selected the Bus Terminal site for the demonstration project. As described in the August 18 memorandum, the site is close to the city center and surrounds a traffic circle encompassing a bus terminal owned by a private bus company providing service in the city. About three quarters of the land (approximately 5,000 square meters) ringing the traffic circle is owned by the municipality and is designated for apartment construction in the Master Plan.

A portion of the site, about 1,500 square meters, has been concessioned to the Regia for development of a double entry 4-story apartment complex with commercial development on the ground level and a total of 35 housing units. The project, originally targeted for a middle to upper income market, is being developed under provisions of Law 19, the Young Couples Act, which provides attractive financial assistance to young families who are first-time home buyers. The project is in final design drawing and should go out for bid in about three months.

The Regia intends to use the final design of the Young Couples project as the design guidelines for the demonstration project. (It should be noted that there was relatively strong staff disagreement on this point.) The preliminary plan calls for 75 to 80 apartment units ranging from 80 to 100 square meters in size. The ground floor will be reserved for various commercial uses with underground garages for both housing and commercial tenants. The housing units are to be broadly affordable, with 50% of the units designated for low and average income families.

Compensation to the municipality will be based on a determination of land value to be made by the Focsani City Council. Although not stated, it is presumed that the actual compensation will be negotiated, depending on construction costs and recent experience with commercial development elsewhere in the city. Profit to the developer (contractor) will derive from the sale of space for commercial activities.

Relocation of the bus terminal through a land swap between the municipality and the private bus company, discussed during the reconnaissance visit, will not be part of the project, although the municipality wants to pursue this suggestion in conjunction with future redevelopment of the railroad station.

3.3 The RFP Process

The municipality has prepared a draft RFP (translated copy attached). In some respects, the draft is more of an outline and, thus, many of the points need to be further developed. However, the draft as it stands is very thorough. The municipality used the material we provided to good effect. (Comparatively, this is the best first draft of an RFP I have seen which certainly shows the benefits of the demonstration concept).

The municipality would like to complete and issue the RFP by mid to late January. A possible complication in keeping to this schedule is approval of the RFP by the Focsani City Council. Issuance procedures were discussed and the political leadership and the staff would like to advertise the RFP on a national basis. This has never been done before, and while there is a basis in favor of local firms, there is nevertheless interest in being able to compare proposal from local firms with those of concerns operating on a larger scale.

There is agreement on the various steps of the RFP process. Following issuance, there is nevertheless interest in being able to compare proposal from local firms with those of concerns on a larger scale.

3.4 Bidders Conference

The bidders conference looms as an important step in the process. Staff view this activity as opportunity to inform local contractors/proposers and other interested parties (financial institutions, e.g.) About the process and about the American experience with development. For example, they would like to have a presentation defining the nature and role of developers in the U.S..

A list has been prepared of prospective qualified local bidders/developers who would receive copies of the RFP. The list include six prospects and was expected to be expanded to about eight to twelve.

Although staff would like to schedule the bidders conference for late January, it is understood that target period would probably be optimistic considering the need to complete the RFP, arrange for broad distribution, and obtain Council approval. While no specific date was set for the conference, it was generally agreed that a schedule could be agreed to sometime in January for a possible February or early March date. (The fact of the upcoming municipal elections on the process was not known, but it was conceded that they were likely to be an important factor in the scheduling process).

3.5 Next Steps

At this stage, the Regia and municipal staff must expand and complete the RFP for review by the ICMA technical assistance providers prior to submission to the City Council. Gabriela Matei should follow-up in January to ascertain progress and arrange to have the final draft translated for review and comment. If possible, it would also be desirable to obtain a written plan for distribution of the RFP.

Yet to be determined are matters pertaining to pre-qualified prospective developers and a two-step process of pre-selection based on financial qualification, followed by proposal submission by at least three firms for final selection and contract negotiation. These questions pertain primarily to the existing laws and regulations governing solicitations of construction bids. Staff is attempting to fit the RFP process into the existing legislative framework.

Following approval by the City Council, the bidders conference should be scheduled. Staff would like additional information on the American experience with public/private partnership development process that could be organizing and preparing the conference agenda. These are all within the scope of the current RFS for Phase II.

4 PROJECT STATUS IN ORADEA

As noted above, the City of Oradea has made little progress since our August reconnaissance and project planning visit. During this visit, meetings were held with Mr. Andrei Luncan, Chief Architect, Mr. Emilian Sala, Director of the Economic Department, and an exit meeting was held with Mayor Petru Filip. In addition, we met for an extended discussion with the two developers active in the Oradea region.

There has been no organization effort to proceed with the P/PP development demonstration. The Chief Architect expressed doubt that they could commit the necessary resources to undertake the various required tasks. The interest and commitment of the mayor was also unknown to Mr. Luncan, primarily because of the forthcoming municipal elections.

During a subsequent meeting with Messrs. Sala and Luncan, Mr. Sala expressed enthusiastic support for the program and said he saw little difficulty in the municipality committing the necessary resources. This was definitely not what Mr. Luncan wanted to hear. Throughout these discussions appeared to be some misunderstanding about the ICMA role. It is my impression that the Chief Architect believed that we would be spending extended periods of time in Oradea in a direct staff support capacity. (He referred to the level of activity provided by ICMA consultant, Phil Rosenberg, on the municipal finance reform project, for example).

With respect to site selection, none of the four sites we visited and reported on in August are still being considered for this project. They are now proposing another site adjacent to the previously designated "Edge City" site and approximating four-five hectares. The site is undeveloped and located on the southeastern fringe of the city. No other information was available about the site or the type of the project they envisioned.

During the meeting with Mayor Petru Filip, he had all the reasons why the type of project we were proposing would not work in Oradea. Chief among these reasons was financing, which, of course, is the overriding problem facing all development. However, based on the meeting with developers, it was clear that the municipality was not openly working with the private sector to resolve some of the development issues.

Based on this visit, it seems unlikely that Oradea will proceed anytime soon with this project. Too many reasons were being advanced as to why they could not proceed to suggest that there was a willingness to find ways around them. Consequently, I suggest that the Oradea demonstration be put on “hold” until after the municipal elections and reviewed at that time to determine whether there is a desire on their part to move ahead. In the mean time, Gabriela might keep in touch with the Chief Architect to assess whether or not there has been any change in attitude and willingness to proceed.

6 CONCLUSION